

## Message Text

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STADIS//////////

FOR HEGINBOTHAM ON ARRIVAL FROM EA/EP

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: EXIM PROGRAMS IN THAILAND AND INDONESIA

1. EA/EP OBTAINED UPDATE ON EXIM PROGRAMS IN THAILAND AND INDONESIA FROM BANK'S LOAN OFFICERS FOR BACKGROUND USE DURING YOUR VISIT TO THOSE COUNTRIES. FOLLOWING COMMENTS REPRESENT INFORMAL EXIM STAFF VIEWS AND DO NOT NECESSARILY REFLECT CONSIDERED VIEWS OF EXIM BOARD.

2. THAILAND

A. CURRENT EXPOSURE (ALL MATURITIES, INCLUDING FCIA INSURANCE AND UNDISBURSED COMMITMENTS) IS DOLS 70M, OF CONFIDENTIAL

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WHICH DOLS 40-45M FINANCED AIRCRAFT SALES AND DOLS 16M ARE TIED UP IN SIAMKRAFT. PRELIMINARY COMMITMENTS ON FIVE AIRCRAFT WOULD RAISE EXPOSURE TO DOLS 250M, BUT MOST LIKELY OUTCOME IS SALE OF ONE PLANE AT BEST.

B. ALTHOUGH SIAMKRAFT CASE HAS CREATED STRONGLY NEGATIVE REACTION TO THAILAND ON BOARD OF DIRECTORS, EXIM

IS CONTINUING TO ENCOURAGE APPLICATIONS FOR FINANCING. THE BOARD MAY BE WILLING TO ALLOW EXIM EXPOSURE IN THAILAND TO INCREASE SEVERAL FOLD FROM PRESENT LOW LEVEL. HOWEVER, EXIM IS REQUIRING A BANK OR GOVERNMENT GUARANTEE ON ALL TRANSACTIONS.

C. PENDING APPLICATIONS INCLUDE THE FOLLOWING:

- GENERAL ELECTRIC, DOLS 1800 FOR A NUCLEAR POWER PLANT FOR EGAT;
- SIAM CEMENT, DOLS 40M; BUT THIS IS UNLIKELY TO BE APPROVED BECAUSE SIAM CEMENT HAS BEEN UNWILLING TO SEEK A BANK OR GOVERNMENT GUARANTEE AND, DESPITE ITS SIZE, HAS SUFFERED LOSSES AT TIMES IN THE PAST BECAUSE OF RTG PRICE CONTROLS;
- SEVERAL COMPANIES ARE SEEKING FINANCING FOR THE MANUFACTURE OF PIPE OR GAS PUMPS IN THAILAND TO SUPPLY THE GAS PIPELINE;
- ONE OR MORE APPLICATIONS IN CONNECTION WITH NEW PORT IN SOUTHEAST THAILAND;
- SHELL, DOLS 110-115M FOR LUBE OIL PLANT;

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- THAI PULP CO., DOLS 25M; THIS IS UNLIKELY TO BE APPROVED AS IT IS A COMPETITOR OF SIAMKRAFT.

3. INDONESIA

A. CURRENT EXPOSURE IS ABOUT DOLS 600M, BUT WITH THE EXCEPTION OF A CEMENT PLANT EXPANSION, THERE HAVE BEEN NO NEW AUTHORIZATIONS IN OVER A YEAR.

B. EXIM VIEWS INDONESIA AS RISKY AND ITS PRESENT EXPOSURE IS ON THE HIGH SIDE, BUT IT IS OPEN FOR BUSINESS. EXIM CURRENTLY REQUIRES THAT THE GOI BE THE OBLIGOR OR GUARANTOR OF FINANCING, OR THAT THE SUPPLIER HAVE AS GUARANTOR A CREDITWORTHY ENTITY OUTSIDE INDONESIA (BANK OR PARENT FIRM). IT OPENLY DISCOURAGES APPLICANTS WHERE THERE IS NO SPONSOR IT CONSIDERS SUFFICIENTLY CREDIT WORTHY. THE EFFECT OF THIS REQUIREMENT HAS BEEN THAT PRIVATE PROJECTS ARE LARGELY DISQUALIFIED. EXIM HAS RECENTLY DONE LITTLE FINANCING OF GOVERNMENT PROJECTS AS UELL PRIMARILY BECAUSE, SINCE LATE 1975, THE GOI HAS BEEN USING INTERNATIONAL TENDERS TO SHOP AROUND FOR THE BEST PRICE AND FINANCING PACKAGES, AND IT HAS BEEN GET-

TING BETTER DEALS FROM OTHERS, CHIEFLY JAPAN, GERMANY, AND FRANCE. BEFORE IT WILL DEPART FROM NORMAL INTEREST RATES TO MEET COMPETITION, EXIM BOARD REQUIRES A CONVINCING CASE, WHICH INVOLVES MORE INFORMATION ON COMPETING TERMS THAN IS USUALLY AVAILABLE. AS A RESULT, IT RECENTLY HAS APPROVED ONLY ONE PRELIMINARY COMMITMENT FOR INDONESIA AT BELOW NORMAL INTEREST RATES (8 TO 9 PERCENT, DEPENDING

ON THE MATURITY). EXIM STAFFER SPECULATED, HOWEVER, THAT THERE MAY BE LIMITS TO EXPOSURE THAT OTHER NATIONAL EXPORT CREDIT AGENCIES WISH IN INDONESIA, AND AT SOME POINT THESE AGENCIES MAY REDUCE THE COMPETITIVE HEAT.

C. THERE IS A LARGE NUMBER OF PENDING APPLICATIONS,  
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BUT THE ABOVE FACTORS LIMIT PROSPECTS FOR NEW AUTHORIZATIONS AT PRESENT.  
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## Message Attributes

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